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SIPDIS

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SUBJECT: GOL DENIES THAT E.ON IS FAVORED TO BUILD LATVIAN  
COAL POWER PLANT

Classified By: Ambassador Charles W. Larson for reasons 1.4 (b) and (d)

11. (C) SUMMARY: The Government of Latvia pledged that there will be an open, transparent bidding process for upcoming construction of a 400MW solid-fuel power plant. Following an interview in which a Ministry of Economy official had implied that German company E.on Ruhrgas was likely to win the tender, the Minister of Economy assured the Ambassador that American companies would be welcome to compete in the tender process. The proposed coal plant will help to somewhat reduce dependence on Russian gas. GOL is not particularly concerned about the impact of a coal plant on Latvia's CO2 emissions targets. End Summary.

12. (C) In a meeting with the Ambassador, Minister of Economy Kaspars Gerhards claimed that there was no leading candidate yet, and that the electricity regulation agency would have significant say in the final selection. Gerhards conceded that GOL had been in discussions with E.on, while noting other interested companies and their weaknesses. He acknowledged previous discussions with American firm AES and noted that the GOL welcomed American bids on the project.

13. (U) The Director of the Ministry's Energy Division assured Econoff that the newspaper's emphasis on E.on did not reflect any government preference at this point. He noted, however, that the GOL would be looking for an investor who demonstrated a long-term strategic interest in the region.

14. (SBU) Rod Christie of General Electric (protect) says that the GOL is most likely looking to build a pulverized coal plant, which GE would not want to bid on. Christie claimed that no American firm would be likely to bid on a pulverized coal plant because European firms dominate that technology, although contacts at AES have continued to express interest to us.

15. (C) When asked how a new coal facility would comply with EU emissions regulations, Sarma flatly stated that staying within the emissions quotas is not a priority. He said that GOL is prepared to pay for emissions over their cap and pass costs on to consumers. He expressed a similar lack of concern about meeting targets for percentage of energy from renewable sources, confidently asserting that none of the 27 EU countries would meet those targets, so there was no chance of Latvia facing any sanctions for it.

16. (C) Comment: Post has pushed for Latvia to diversify energy supplies from Russian gas, and steps toward a new coal plant are a positive step. Because of their close ties with Gazprom, E.on would not be the ideal investor for this project. While the tender may not be written specifically with E.on in mind, they still appear to have an advantage at this point.

LARSON